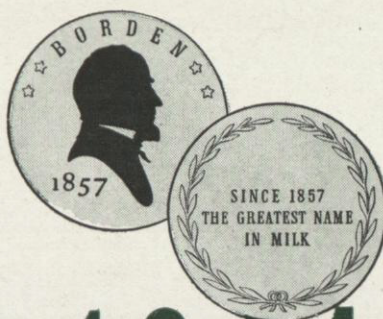


The Borden Company

ANNUAL REPORT

87TH YEAR



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BOARD OF DIRECTORS

ALBERT G. MILBANK

Chairman of the Board

HAROLD W. COMFORT

Executive Vice-President

LESTER LE FEBER

Milwaukee

THOMAS I. PARKINSON

*President, The Equitable Life
Assurance Society of the United States*

L. MANUEL HENDLER

*Hendler Creamery Company
Baltimore*

MADISON H. LEWIS

*Pioneer Ice Cream Division
New York*

HENNING W. PRENTIS, JR.

*President
Armstrong Cork Company*

AUSTIN S. IGLEHEART

*President
General Foods Corporation*

THEODORE G. MONTAGUE

President

BEVERLEY R. ROBINSON

Milbank, Tweed & Hope

ROBCLIFF V. JONES

Vice-President

MARCUS M. MUNSILL

Spencer Trask & Co.

HARRY A. ROSS

Vice-President

OFFICERS

ALBERT G. MILBANK

Chairman

THEODORE G. MONTAGUE

President

HAROLD W. COMFORT

Executive Vice-President

CLYDE E. BEARDSLEE, *Vice-President*

WILLIAM CALLAN, *Vice-President**

CHARLES A. ECKBURG, *Vice-President*

ROBCLIFF V. JONES, *Vice-President*

CHARLES F. KIESER, *Vice-President*

WILLIAM H. MARCUSSEN, *Vice-President*

HARRY A. ROSS, *Vice-President*

EVERETT L. NOETZEL, *Treasurer*

*Retired January 15, 1945

THEODORE D. WAIBEL, *Secretary†*

CECIL I. CROUSE, *Assistant Vice-President*

WILLIS H. GURLEY, *Assistant Vice-President*

HAROLD K. KRAMER, *Assistant Vice-President*

ROY D. WOOSTER, *Assistant Vice-President‡*

GEORGE BITTNER, *Assistant Treasurer*

A. BROOKS PRAY, *Assistant Treasurer*

DOUGLAS T. ORTON, *Assistant Secretary*

†Elected June 27, 1944

‡Appointed October 1, 1944

EXECUTIVE OFFICES

350 Madison Avenue, New York 17, N. Y.

REGISTERED OFFICE

117 Main Street, Flemington, N. J.

TRANSFER AND DIVIDEND DISBURSING AGENT

THE CHASE NATIONAL BANK OF THE
CITY OF NEW YORK
11 Broad Street, New York 15, N. Y.

REGISTRAR

BANKERS TRUST COMPANY
16 Wall Street, New York 5, N. Y.

COUNSEL

MILBANK, TWEED & HOPE
15 Broad Street, New York 5, N. Y.

AUDITORS

HASKINS & SELLS
1 East 44th Street, New York 17, N. Y.

March 2, 1945

BORDEN STOCKHOLDERS' BULLETIN



CHECK ENCLOSED FOR
THE 140th CONSECUTIVE DIVIDEND

Planning the Future

In current discussions of industry's program for expanding postwar employment, a tendency to over-simplify the problem is occasionally noted. To many people, the solution seems to be a very simple one of adding men to payrolls.

The problem is, of course, much more complicated. In the case of our own company, and of industry generally, hopes for full employment are based on the wider use of goods by a greater number of people. To accomplish this desirable increase in the consumption of goods, excessive prices must be avoided and the earning power of the people maintained.

High wages can continue, however, only if individual output improves. If a ceiling is placed on productivity, there will be an unavoidable trend toward either low wages or high prices, and both are undesirable.

The company has made considerable progress in the past. Reasonable consumer price levels, improved wages and working conditions, and expanding employment have been the result of greater efficiency. Without developments in modern refrigeration, automatic packaging, distribution practices, and other fields we could not pay current wages or sell at current prices.

Our plans for the company's future call for continued growth. In reaching this goal, the two important steps are the development of new products and new markets, and the better utilization of manpower through improvements in distribution and technology. Through this policy we hope to make our contribution to expanded employment and higher living standards in the postwar world.

THEODORE G. MONTAGUE,

President

How Good Are Borden Ads?

Every so often a company likes to know just how good its advertising is, and how many people read its ads. To supply such information a survey service is conducted by Dr. Daniel Starch, which is regarded as "gospel" by the advertising profession. Of interest to Borden stockholders is the analysis of 29 Starch reports on Elsie ads in *Life*, *Saturday Evening Post* and *Collier's*. The questions asked were "how many people noted the ads," and "how many people read all or most of the copy." Our ads made a remarkable showing. In *Life*, the noting was 26% better than average, and reading 92% better. In the *Saturday Evening Post* the averages over other advertising copy were 57% for noting and 182% for reading. In *Collier's* 52% and 163%. In other words Borden's advertising dollar registers a minimum of 26% and a maximum of 182% better than that of the average advertiser.

South Americans Study Safety Record

The Borden Company has a very good safety record which was the basis of a recent study by South American safety experts. Representatives from Brazil, Chile and Uruguay, sent by their

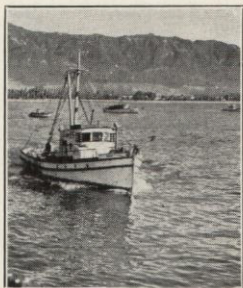


governments to inspect safety methods, compensation administration, education and health, inspected our milk and ice cream plants during their week's visit to New York City. They expressed themselves as deeply impressed by Borden operations and left armed with detailed information on our safety and health measures.

Borden's Fishing Fleet Grows

Three trim craft have taken the water recently as additions to our Shark Industries Division which provides much of the raw material for Borden's vitamin operations. The last word in fishing craft construction, these boats are now plying Florida waters in search of the killer fish.

Formerly shunned by mankind, the shark has now become one of the most sought-after prizes of deep water fishermen. Evidence of its importance is the fact that Shark Industries has been able to secure clearance from the government for the construction of new



boats at a time when shipyards are busy turning out warcraft. Reason for the importance of the shark is the fact that its liver supplies approximately 75 per cent of the vitamin A now produced in the United States. Widely publicized at the beginning of the battle of Britain for its use in sharpening the night vision of RAF pilots, vitamin A, in addition to its human uses, is valuable in animal feed supplements as well.

A Flying, Fighting Elsie

Latest and most thrilling example of our Elsie's universal popularity is the news that an Army Air Force B-24 Liberator which rained destruction on the enemy in Greece, Italy, France and Austria bore the glamour cow's name. Elsie received the news from T/Sgt. Willard A. Tressler, who flew as part of the Liberator's crew, and he described some very thrilling missions, including one over Messina, Sicily, during which the ship was riddled with a hundred "flak" holes. Over Germany, Elsie the Liberator, on whose nose is painted a likeness of Elsie the Cow, had a tangle with a Nazi fighter plane. Sgt. Tressler and his buddies put up such a hail of machine gun bullets that the fighter pilot thought better of his plans and found important business elsewhere. After 700 hours in the air, Elsie the Liberator was returned to this country for overhauling.



Gluing Metal to Wood

Long a subject of research in the adhesive industry, an effective method of gluing metal to wood has been developed in the laboratories of Borden's Casein Company of America Division. The trouble has always been that wood and metal are affected differently by changes of temperature and atmosphere. Dry heat, for example, expands metal and shrinks wood. The problem was to find an adhesive with the ability to stretch slightly without losing any strength. In addition, metal is poreless, affording no absorption of the adhesive. The process developed

by the Casein Company laboratories consists of priming the metal with Casco Flexible Cement, composed of a synthetic latex and casein adhesive. The wood is applied to the steel by regular wood gluing methods. The new adhesive maintains its flexibility under severe conditions of exposure and metal and wood bonded by this method can be shaped, as for example, to form the skin of an airplane fuselage.

Casein Company also has on its list of products a new room-temperature-setting phenol-type resin, "CASCOPHEN," which was selected by the Army Air Forces after careful tests for durability to be used in a laminated wood part of the famous B-29 bombers. A large order was placed on short notice and flown from an airfield near Bainbridge, N. Y., home of the Casein Company plant, to the factory in Michigan where the parts were manufactured. A Technical Service Representative of the company was on hand to meet the shipment and provided the skilled supervision for the use of the new resin glue. From the Michigan plant the parts were flown to the Asiatic theater of war where they went into the B-29's to help those super-fortresses blast the Japs.

New Honors for Borden's

Two new flags signifying outstanding war production fly over Borden plants. One, a brand new "A" award from the War Food Administration was presented to our dry milk plant in Bainbridge, New York, on January 18th. The



other banner is the Army-Navy "E" flag of our Lakeshire-Marty Division, to which has been added a second star denoting continued outstanding production of cheese for the war effort.

The War Food Administration Achievement "A" Award is presented to those plants which have established a noteworthy record in processing foods for the government. The award is for one year, and a continued high record of production entitles a plant to fly the "A" flag with a star affixed for each additional year. Evidence of the Bainbridge plant's accomplishment is the fact that in 1942 its total output was 832,978 pounds of whole milk powder, while in 1944 it produced 10,429,985 pounds. It is the first Borden plant to be honored by an "A" Award.

(Condensed) Milk Creek

Way back in the 1870's Ed Rawlins had the government contract for delivering supplies to the White River Indian Agency in Wyoming. Coming over the rough country with bull-drawn freight wagons, two cases of Gail Borden Eagle Brand Condensed Milk tumbled off and were lost. A band of White River Ute Indians discovered the cases, and knowing a good product, sat down then and there to polish off the contents on the banks of an unnamed creek. As evidence of their enjoyment of the feast, the scene of it has always been known as "Milk Creek." This incident was recently brought to light during a study of old Wyoming documents.



Routeman Still Serves

Even though he forsook the Borden seal for a Red Cross badge, former routeman Howard Larsen of Baldwin, Long Island, still has plenty of customers who are glad to see him. A dispatch from Red Cross Headquarters reports that three hours after the first infantry detachments had stormed ashore on the island of Leyte, Baldwin, now a Red Cross field man, was passing out coffee and doughnuts to the battle-weary fighters. Even General MacArthur, it was reported, stopped to have some of Larsen's wares. Borden's wonders if by any chance Larsen was using our soluble coffee powder since all that we produce goes to the government.

Retirement of William Callan

William Callan, who has been a vice-president of the company since 1939, retired from that office on January 15th. He had been eligible for retirement for nearly two years but had remained at this post because operations under his direction were engaged in important war production.

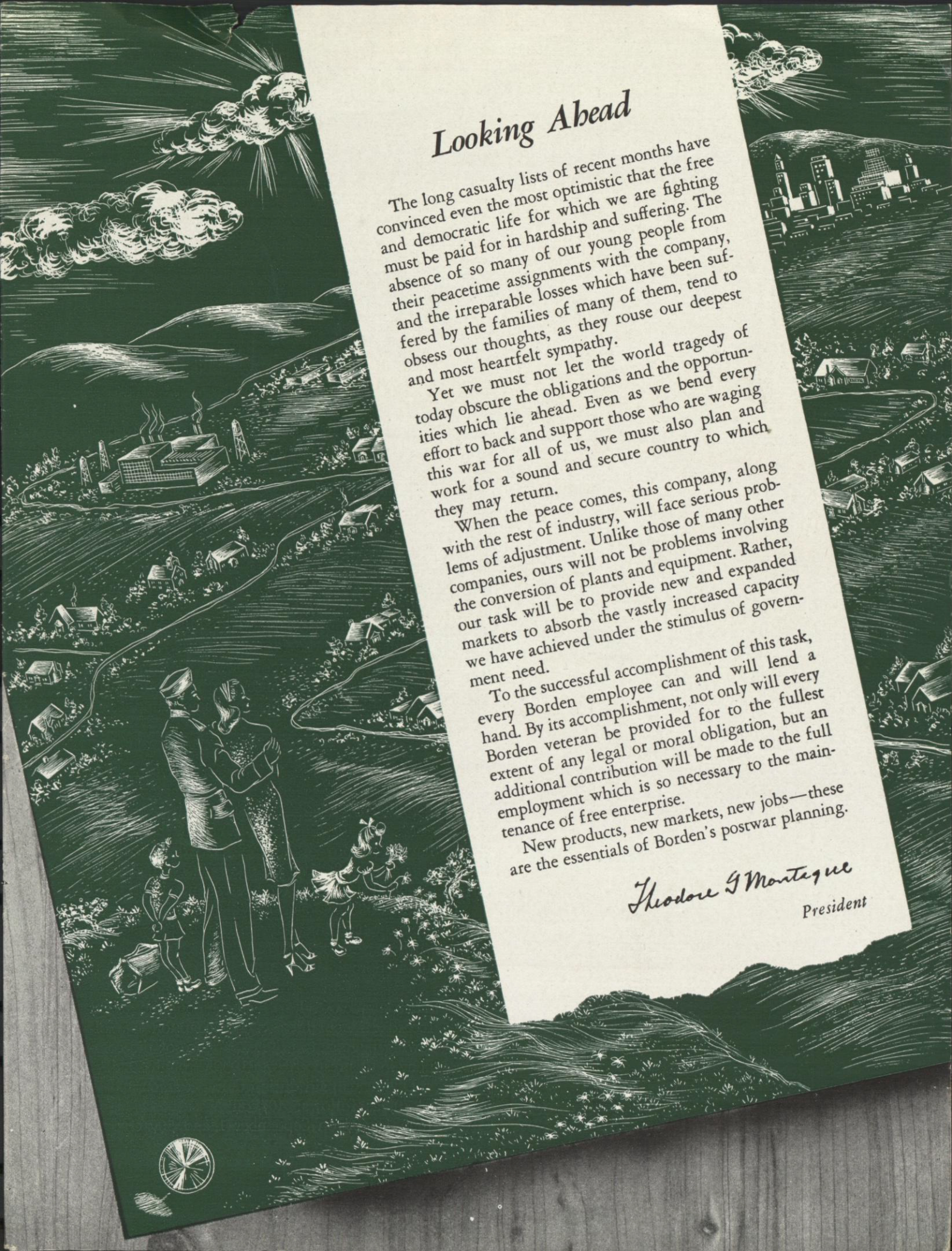
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THE BORDEN COMPANY

350 MADISON AVENUE

NEW YORK 17, N. Y.

Printed in U.S.A.



Looking Ahead

The long casualty lists of recent months have convinced even the most optimistic that the free and democratic life for which we are fighting must be paid for in hardship and suffering. The absence of so many of our young people from their peacetime assignments with the company, and the irreparable losses which have been suffered by the families of many of them, tend to obsess our thoughts, as they rouse our deepest and most heartfelt sympathy.

Yet we must not let the world tragedy of today obscure the obligations and the opportunities which lie ahead. Even as we bend every effort to back and support those who are waging this war for all of us, we must also plan and work for a sound and secure country to which they may return.

When the peace comes, this company, along with the rest of industry, will face serious problems of adjustment. Unlike those of many other companies, ours will not be problems involving the conversion of plants and equipment. Rather, our task will be to provide new and expanded markets to absorb the vastly increased capacity we have achieved under the stimulus of government need.

To the successful accomplishment of this task, every Borden employee can and will lend a hand. By its accomplishment, not only will every Borden veteran be provided for to the fullest extent of any legal or moral obligation, but an additional contribution will be made to the full employment which is so necessary to the maintenance of free enterprise.

New products, new markets, new jobs—these are the essentials of Borden's postwar planning.

Theodore G. Montague
President

This Annual Report is solely for the general information of the Stockholders and Employees of The Borden Company, and is not a part of the material to be used in soliciting proxies for the Annual Meeting of Stockholders to be held April 18, 1945. It is expected that any material for the solicitation of proxies for the Annual Meeting, along with a form of proxy, will be sent to the Stockholders on or about March 23, 1945.

To Stockholders and Employees

There is submitted herewith the annual report of The Borden Company for the year ended December 31, 1944.

SALES

Sales improved during the year, and amounted to \$410,478,189 as compared with \$371,866,527 for 1943. 1944 sales represent a new high in the history of the company, an accomplishment which was achieved through the unified efforts of the entire organization. As compared with the years 1943, 1942 and 1941, the increase is 10%, 26% and 58%, respectively.

Our efforts were directed mainly toward fulfilling the requirements of the government and the armed forces for such vital products as ice cream, fresh milk, condensed and evaporated milk, powdered milk, powdered eggs, powdered coffee and cheese. In addition, the increased

demand of the civilian population, both in the United States and Canada, was met with a considerable degree of success.

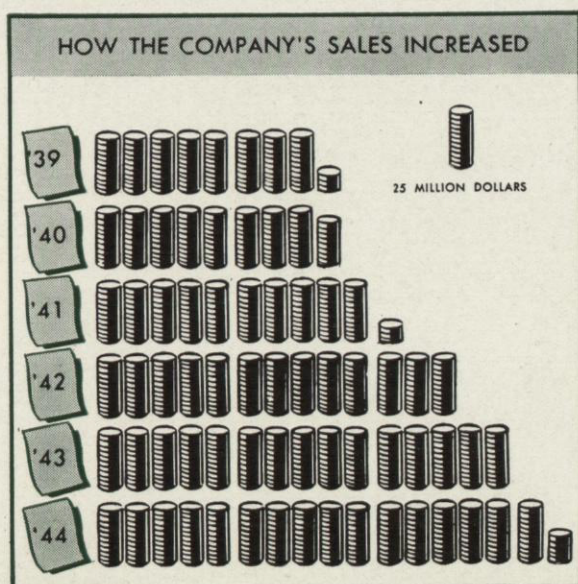
Intensive sales effort was also devoted to promoting products introduced a relatively short time ago, and the process of diversification continues. Total sales of new items during recent years have increased substantially and they now constitute a profitable volume. Thus the policy established in recent years of aggressively developing new products, and more intensively promoting the sale of products other than fluid milk, now strengthens the source of the company's earning power and establishes a firmer foundation for the future progress of the company. Several new products which are expected to find ready acceptance by the public await availability of needed materials and supplies.

INCOME AND DIVIDENDS

Net Income for 1944, after provisions for special reserves as later mentioned, amounted to \$9,987,994 and 2.4% of total sales, or \$2.35 per share. Earnings of Canadian subsidiaries have been converted to their U. S. dollar equivalent at the official exchange rate. No income is included from the company's unconsolidated foreign affiliates as no dividends were received from them during the year. The company's share in the earnings of these foreign operations for 1944 approximated \$310,000.

The Net Income for the year 1944 represents a percentage of sales which is among the lowest recorded in our history. The chart on the following page shows the experience of the company in this respect from 1939 through 1944.

Dividends paid during the year amounted to \$1.70, as follows: 40¢ on March 1; 40¢ on June 1; 40¢ on September 1 and 50¢ on De-



cember 20. Dividend payments for 1943 totaled \$1.50. Dividends have been paid by the company continuously for the past 46 years.

On authorization of the Board of Directors the company set aside to the Special Contingency Reserve \$2,500,000. Provisions made in previous years amounted to \$9,000,000. The Special Contingency Reserve now stands at \$11,189,195.

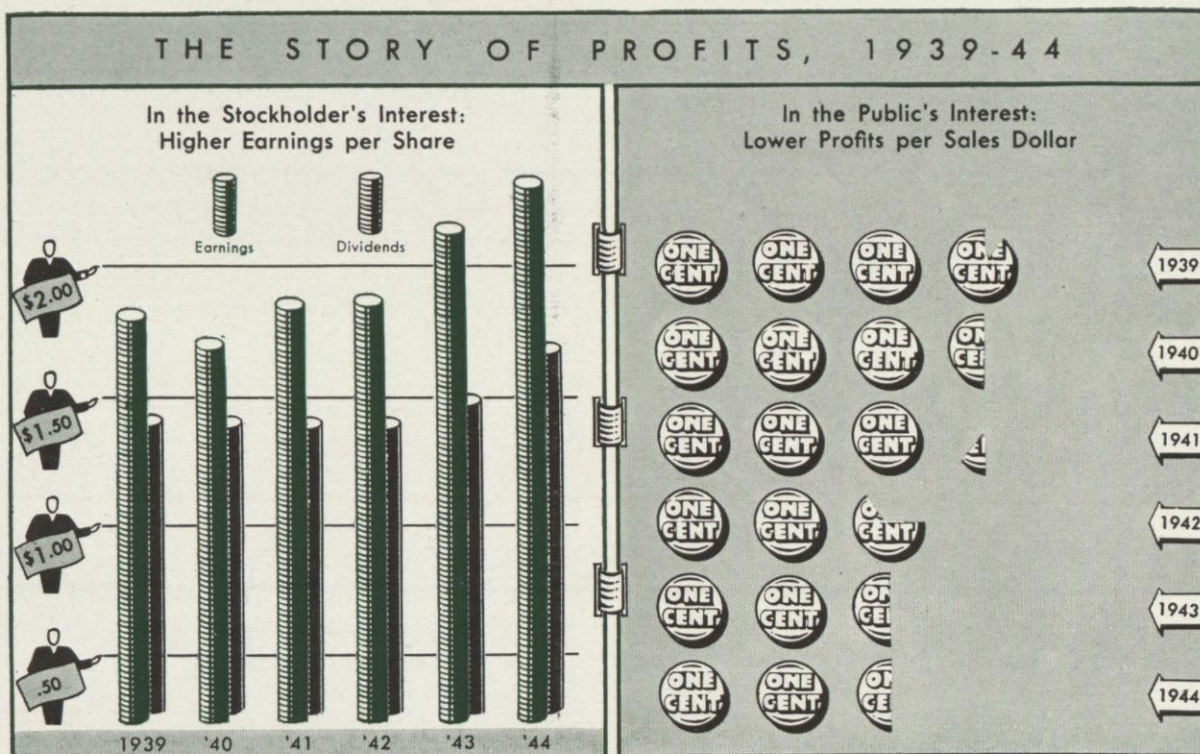
This provision is made in view of the fact that possible losses resulting from war and postwar conditions cannot be predicted. Hence prudence demands that provision be made in amounts considered appropriate for such special contingencies as may arise. Naturally the company will endeavor to keep at a minimum all losses occasioned by the exigencies of the war and the consequential postwar adjustments. Total inventory values during 1944 reached the record peak of nearly \$47,000,000, an increase of \$30,000,000 over the prewar level of approximately \$17,000,000. Plant changes were required to meet governmental demands for Borden products, and in some cases these changes were made at relatively high costs.

The company added \$700,000 to the reserve for deferred repairs and maintenance compared

with \$900,000 set aside for this purpose in each of the years 1943 and 1942. This reserve was created from income to absorb the cost of such deferred maintenance and repairs when subsequently made. A total of \$2,500,000 has been set aside for this purpose.

During the year the company and the Government effected a settlement in connection with certain sales in 1943 which were subject to renegotiation. The reduction of contract prices of such sales exceeded the income tax applicable thereto by \$70,805, and this amount was charged against the Special Contingency Reserve. At this time the company is unable to determine what effect renegotiation may have on results shown for the year 1944. However provision therefor has been made and is included in existing reserves.

A charge of \$227,692 was made to the Contingency Reserve as a result of losses on disposals of property during the year. Losses of this nature in recent years have been charged to a reserve created for this purpose, but since the balance in this reserve at the beginning of the year was insufficient to absorb such losses in 1944 amounting to \$1,172,415, the excess was charged to the Contingency Reserve.

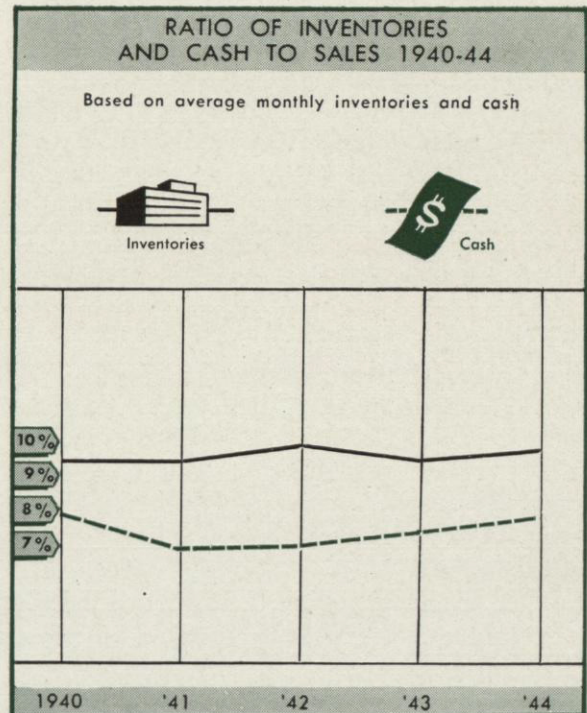
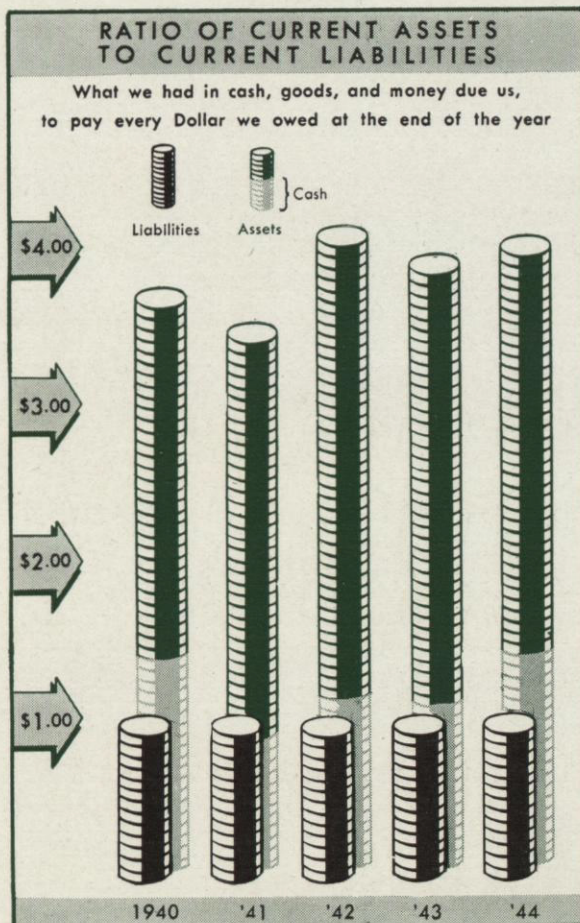


NET WORKING CAPITAL

Current Assets amounted to \$98,698,511 and Current Liabilities were \$24,697,992 at the close of the year, resulting in Net Working Capital of \$74,000,519. The ratio of Current Assets with which to pay Current Liabilities was \$4.00 to \$1.00. This compares with \$3.83 to \$1.00 at the close of 1943.

Net Working Capital of Canadian subsidiaries is included at its U. S. dollar equivalent in the amount of \$4,175,198 for 1944. The corresponding figure for 1943 was \$5,361,710.

The company paid \$501,000 on the balance of \$10,998,000 of 2% Notes which were issued in the amount of \$12,000,000 in 1941 and reported at that time. Because additional funds were required during 1944 to finance inventories and the company's increased business, an additional \$4,000,000 was borrowed. This additional loan was likewise obtained at 2%. The balance of these loans now outstanding amounts



to \$14,497,000, of which \$801,000 is payable annually until 1950. In 1951 the balance of \$9,691,000 will become due. The company's cash position in relation to sales has been fairly constant. This is illustrated by the above chart.

Stocks of finished goods in some divisions of the Manufactured Products Group are still less than normal. The company was unable to restore some of these inventories to normal quantities during the year 1944 primarily for the reason that demand, particularly from military agencies, was more active and sustained than our ability to procure supplies. Because of the increased cost per unit, mainly as a result of higher labor costs and higher payments to farmers for raw milk, the ultimate cost of replenishing depleted inventories will be higher. It was necessary, therefore, to provide an additional reserve from 1944 earnings in the amount of \$94,233 in order that these inventories, when restored through later production, may be carried at values which existed at the beginning of 1942. It is not expected that these inventories can be restored to normal quantities during the coming year because of anticipated government demands. It may be necessary therefore in 1945 to add further to this reserve in order to provide

a sum sufficient to take care of additional increases in replacement costs, particularly if costs of raw milk and certain other materials continue to advance during the year. These products are valued on the "last-in, first-out" basis.

While there has been an increase in the total of all inventories, finished goods and raw materials, including products set aside for the account of the government, the inventory position of the company in relation to sales has been fairly evenly maintained.

Marketable Securities classified as Current Assets are shown in the balance sheet at their cost value of \$9,656,545 at December 31, 1944. This compares with \$9,660,648 market value as of the same date. These consisted of United States and Canadian Government securities.

In addition to the foregoing securities the company owned United States and Canadian Government bonds which, because of their being on deposit pursuant to workmen's compensation, milk control laws, etc., are included in the balance sheet as investments at their cost of \$1,796,027, which compares with their market value of \$1,848,787 on that date. The company also held at the year end \$22,500,000 United States Treasury Savings Notes, which amount is equivalent to the accrued United States income and excess profits taxes for the year 1944. These notes are shown on the balance sheet as an offset to the company's tax liability. The

company's policy of providing currently in this manner for federal tax liability will lessen the demand on cash and other current resources in subsequent years.

TAXES

Taxes of every nature for 1944 totaled \$30,281,637, or \$7.13 per share and \$1,111 per employee. Tax requirements during the past five years are indicated by the following table:

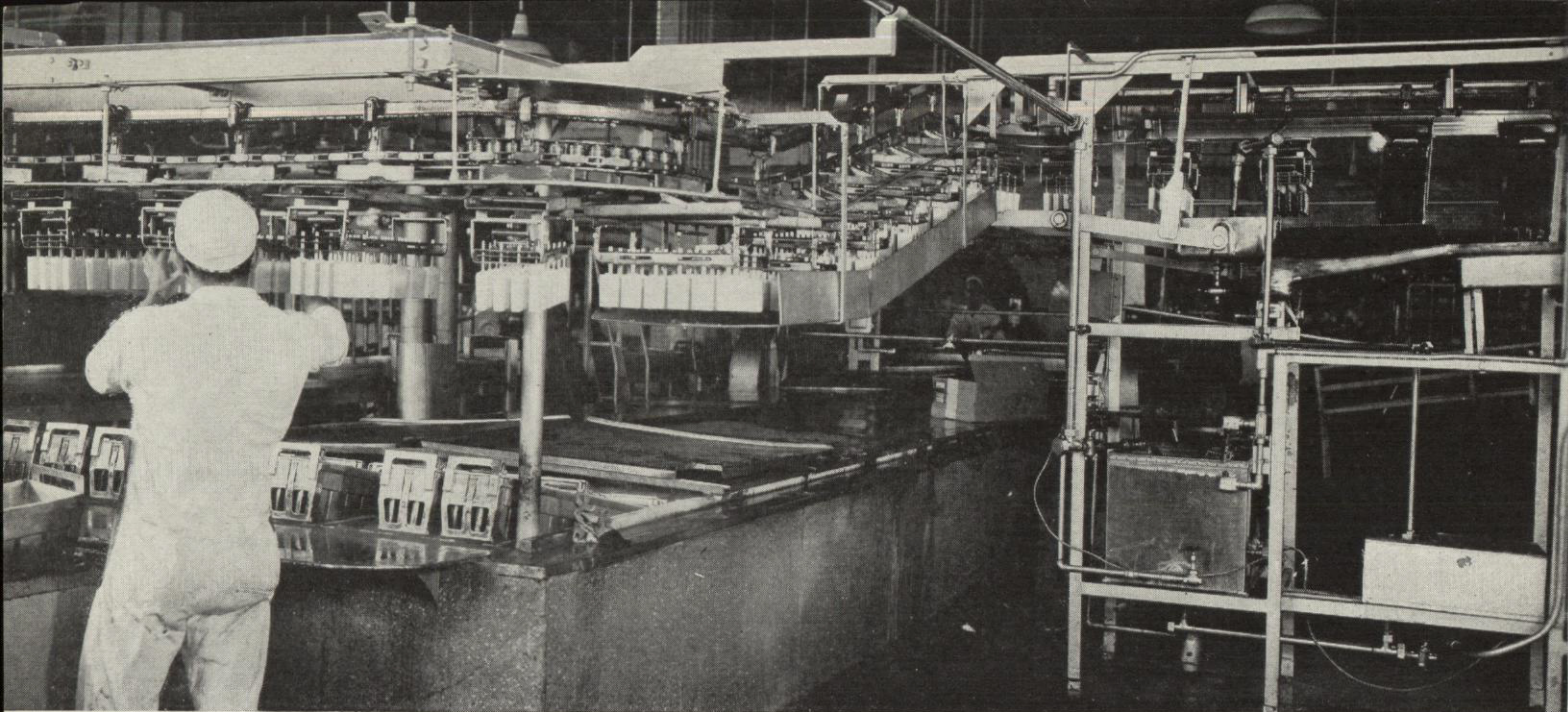
	TOTAL	PER SHARE
1944.....	\$30,281,637	\$7.13
1943.....	21,954,543	5.07
1942.....	15,096,404	3.45
1941.....	8,593,518	1.95
1940.....	6,477,171	1.47

For the year 1944 no excess profits tax credit carry-overs were available.

The present high rates of corporate taxation make it increasingly difficult to finance either expansion or improvements from reinvested earnings. It is to be hoped that at the successful conclusion of the war taxes will be made more moderate, so that our peacetime economy may receive additional impetus for the well sustained business activity so necessary to full employment when peace comes. American private enterprise should not then be prevented by unduly high taxation from developing programs of expansion and research, and at the same time

Grace and Goodness — Milk Helps Make Strong Bodies and Bright Minds





Frozen Treats on the Assembly Line

paying fair wages to employees and paying reasonable dividends to stockholders. Only under a practical and realistic tax policy can a firm base be established for future progress in raising the American standard of living.

INVESTMENTS AND NON-CURRENT RECEIVABLES

This item consisting of investments in and advances to foreign affiliated companies, United States and Canadian Government bonds on deposit with various governmental authorities, mortgages taken on the sale of properties no longer needed, and other non-current receivables aggregated, after reserves, \$8,346,748.

PROPERTIES

The Budget of Capital Expenditures for 1945 was approved by the Board of Directors in the amount of \$8,945,000. This compares with expenditures of this nature authorized during 1944 of approximately \$8,000,000. The 1945 budget exceeds anticipated depreciation by about \$3,000,000.

If government restrictions on building and construction are relaxed and equipment and supplies become more generally available, many necessary and important projects involving substantial capital expenditures will be undertaken.

Postwar problems of varied character have been carefully studied by the executives of each division, and plans are being laid for future

expansion and development. The necessity for a larger than usual Budget of Capital Expenditures for the year 1945 had been foreseen, and in anticipation the company has continued to strengthen its cash position.

TOTAL ASSETS

Total Assets at December 31, 1944 aggregated \$172,843,311, as compared to \$161,903,668 as of the close of 1943.

Assets in Canada, exclusive of Current Assets, on December 31, 1944 amounted to \$6,505,842 as compared to \$5,777,491 on December 31, 1943.

CAPITAL STOCK

There was no change in the authorized Capital Stock. Outstanding stock was reduced in 1944 by 75,000 shares, resulting from purchases of 87,526 shares and the reissue of 12,526 shares in payment for businesses acquired. On December 31, 1944, 167,958 shares were held in the treasury for subsequent corporate use. Except for the \$14,497,000 of 2% notes outstanding, the capital structure of the company continues without any securities senior to the common stock. 4,250,000 shares of Capital Stock outstanding on December 31, 1944 were held by 49,174 stockholders. Their average holding was 86 shares. At the end of 1943 there were 49,141 stockholders with an average holding of 88 shares.

ICE CREAM

Sales of the Ice Cream Division, including milk sherbets and fruit ices, were the greatest in the company's history. Government restrictions and shortages of labor and supplies checked sales growth somewhat, but due to a growing public appreciation of ice cream as a nutritious dairy food and greater acceptance of sherbets and fruit ices, volume attained a new peak.

Early military recognition of the value of ice cream as a morale building food resulted in increased demand from the armed forces, which contributed materially to total volume.

This steadily increasing acceptance of ice cream and related products gives reasonable promise of rising consumer demand in the post-war years. The company expects aggressively to expand its ice cream activities.

FLUID MILK

The Fluid Milk Division during the year experienced only slightly higher sales volume, although the demand from both civilian population and the armed forces was much heavier. War Food Administration limitation orders restricted sales to civilians of both milk and cream, also of some of our other products. Margins in this Division, already meager, were further reduced because of somewhat higher prices paid to farmers for milk, and cost of labor generally increased.

The system of every-other-day delivery to homes conserved equipment and materials through reduction in gasoline and tire usage. Vehicles traveled approximately 20,000,000 fewer miles in 1944 than in 1941. Increased efficiency, plus conservation, helped materially to absorb higher costs.

Preservation of delivery economies, which permit low delivery costs, will be absolutely essential after the war if prices to consumers are to be maintained at favorable levels. Without this preservation of lowered distribution costs for home-delivered dairy products, it is very doubtful whether this service can be maintained in large cities in the postwar years. Prices to consumers would, of necessity, have to be much higher merely to cover the increased cost of distribution, and volume of sales might easily diminish to a point which would make continuance of home delivery impossible.

Every-other-day retail delivery not only benefits the consuming public, but also gives increased assurance of more permanent jobs for route drivers, because lower prices enable customers to buy more Borden products.

As we have often pointed out, the margins available to the distributor of fluid milk are so small that any increases paid to farmers, or any rise in distribution costs, must be reflected in increased selling prices, if the industry is to survive. This is particularly true in the larger centers of population throughout the country.

Consumers continue to show increasing interest in homogenized vitamin D milk because of its better flavor. Favorable consumer acceptance is also being accorded the new square milk bottle which saves much space in home and store refrigerators. However to date the use of this bottle is still limited.

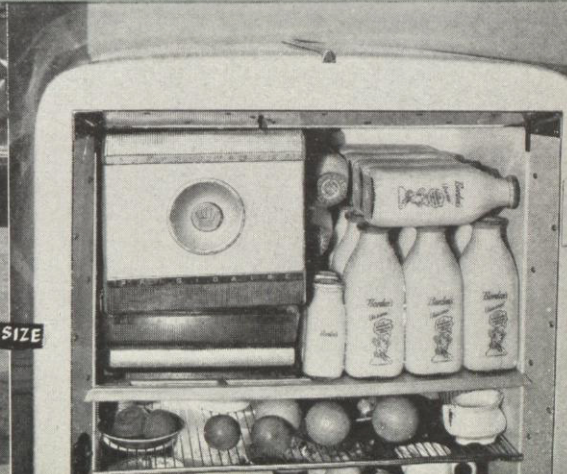
The development of advanced processing and refrigeration controls made it possible during the year to ship large quantities of fresh milk, packaged in paper containers, from northern markets to army camps in the South.

THE NEW SQUARE MILK BOTTLE—Now Being Tested in Several Cities

Easy to Handle

More on a Truck

Easy to Store



MANUFACTURED PRODUCTS

The Manufactured Products Group, which includes Hemo, None Such mince meat, Pyco, dehydrated fruit juices, dehydrated coffee, evaporated milk, powdered milk, powdered eggs, condensed milk and malted milk, was confronted with increasing problems due to war-time shortages. In consequence some products experienced decreased sales volume. Profits generally were somewhat less than last year.

Sales of the Grocery Products Division reached the largest volume in its history. The civilian trade demand for evaporated milk was considerably in excess of available supplies as a large volume is now regularly shipped to governmental agencies. In its effort to hold down the cost of living index, OPA has continued to keep the domestic price of evaporated milk below delivered cost, regardless of the fact that raw milk costs and cost of labor have increased. Consequently with a low fixed selling price and with increased costs which are beyond our control we are forced to conduct this business at considerable loss. Much effort has been devoted in an endeavor to correct this situation, but without results to date.

Sales of Borden's Eagle Brand, the favorite condensed milk of the American home, have been maintained at the highest level possible under rationing restrictions. Mince meat sales showed an increase largely because it was possible to secure necessary ingredients for the larger volume, a substantial portion of which was sold to the Government. Malted milk sales also improved greatly. Hemo, now a well estab-

lished vitamin and mineral fortified food product, has gained nation-wide distribution and acceptance. Pyco, a new sweetened fruit base for cookies and pies, is on limited production, but current sales give indication that the product is well received. A new high grade caramel was developed during the year and is now sold to the trade to the extent of available production. More than 50% of our candy production was devoted to a special caramel required by and sold to the Government. Starlac, a non-fat dry milk powder introduced to the retail consuming trade recently at the suggestion of the U. S. Department of Agriculture, continues to show improved sales volume. Soluble powdered coffee was produced in large quantity, but entirely for government needs. None of this fine product is available at present for civilian consumers. After the war we believe the American public will accord this new product the very favorable reception which it has received from the military forces. Other new products are being developed and tested for distribution by the Grocery Products Division.

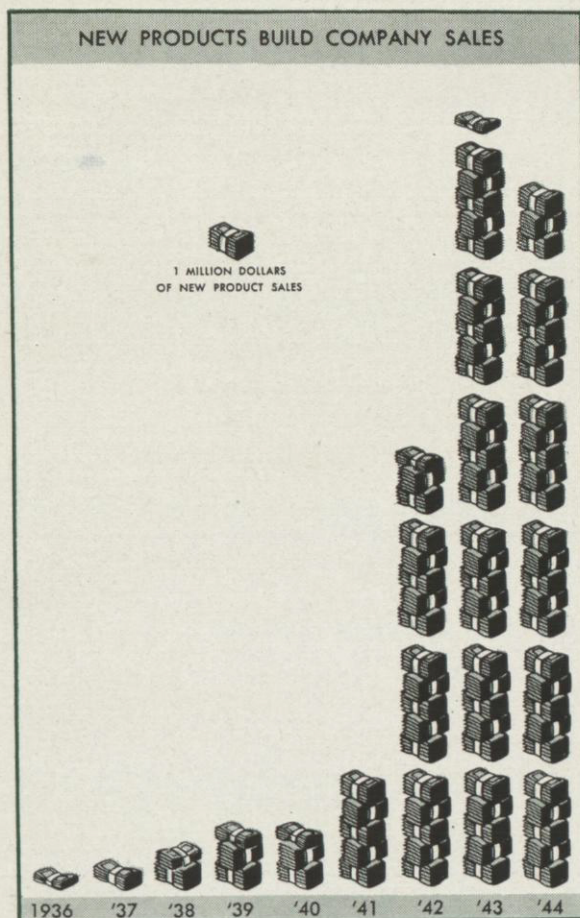
In the Powdered Milk Division, set-aside and restricting orders by the War Food Administration severely curtailed sales to the civilian trade. Important changes were made in some plants during 1944 to meet larger governmental demands for certain products. Production of spray dry whole milk powder was very greatly increased, while production of spray dry non-fat powder was decreased. Powdered fruit juice and dry ice cream mix production for the armed forces also increased. A large percentage of the total production of our dehydrating facilities has gone to United States governmental agencies and has been an important contribution to the war effort.

CHEESE

Sales of the Cheese Division for 1944 established a new record. Both sales to consumers and to the armed forces shared in the increase. Governmental restrictions on cheese, such as Camembert, Liederkranz, cream, swiss and limburger, prevented expansion of the sale of these products. However the increasing popularity of other Borden cheese products helped to maintain the growing favor of our package cheeses in the domestic markets.

Thanksgiving Day at Sea . . . With Mince Meat





Shipments to the armed forces in 1944 were in excess of those of the previous year, and included processed loaf cheese and large and small tins of processed cheese — the last named for use in field rations.

Improvements in manufacturing processes and in packaging were completed during the year. The appearance and convenience of Borden's packages to retailer and consumer were enhanced.

Research activities continue and quality control methods are being steadily improved.

CASEIN AND ADHESIVES

While sales were maintained, profits diminished due to lower prices. During 1944 a new durable resin adhesive, used for wartime wood construction, was developed and sold extensively to war industries. Due to the shortage of lumber the wood industry required a smaller quantity of adhesives and a larger portion could

be diverted therefore to other use. Very little casein is now available in the United States; practically all of it must be imported from Argentina. This has at times been difficult due to shortage of shipping facilities.

Early in the year a factory at Bainbridge, New York, where raw material is converted into glues and other products, was almost entirely destroyed by fire. Nevertheless through utilization of temporary space and much ingenuity production continued. A new and improved plant is now under construction and is expected to be completed in the Spring of 1945.

SPECIAL PRODUCTS

While sales of our animal feed supplements, reflecting changes in the agricultural situation, failed to maintain the progress of other years, many other products of this Division showed gratifying improvement.

Starting with a strong demand at the beginning of the year, when animal feed supplies were short, orders for these vitamin-fortified feed supplements declined in subsequent months. The chief factor contributing to this change was a drastic reduction in the number of animals, particularly of hogs and chickens,

Piped to the plant as liquid milk, barreled out as powdered milk for shipment overseas.



the two which are the chief users of our products.

There were problems in the vitamin field also. Shark livers are the chief source of vitamin A, and these were not easy to procure. Contributing to the situation was the Government's allocation of available supplies according to use. This action affected us adversely because the chief beneficiaries were outlets in which we have only a limited interest. Our supply situation, however, has improved as the result of an expansion of our fishing operations.

There were several other changes in our vitamin operations which will enlarge our producing capacity and improve its efficiency. Our plant at Elgin, Illinois, is now devoted exclusively to vitamin and other food products for human consumption, while animal feed operations formerly handled there have been transferred to plants at Hampshire, Illinois and Waterloo, Iowa. At this latter location our Soy Bean Processing Company Division has installed an entire new feed processing unit, and will further expand the plant's capacity during 1945 by the construction of new grain elevators.

In the pharmaceutical field our leading infant feeding products—Biolac, Mull-Soy, and Dryco—all registered sizable sales gains. Plans for future expansion of this branch of the business are now in motion, and new products may be expected following the completion of clinical studies which are being carried on at several leading institutions. An interesting phase of the growth planned in this department is that the forthcoming products will, in several instances, utilize raw materials produced by other divisions of the company.

A Satisfied Customer — Borden's Dryco



Ready for the Soy Bean Harvest

EXPORT AND FOREIGN OPERATIONS

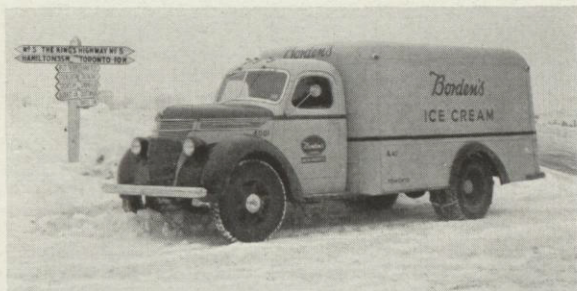
Demand for our principal exported products could not be fully satisfied in the foreign markets open to commercial trade during 1944. The flow of American goods is regulated by the Federal Government which restricts export licenses under a quota limiting system. So long as the military forces of the United States demand the goods produced or the products handled in this Division, export operations will be correspondingly limited. Despite the limited supplies available for export much has been accomplished in foreign markets in maintaining consumer good-will and recognition of the high standard of Borden quality. Manufacturing facilities for dairy products in South America have either been completed or are in course of completion in three countries. Accordingly we face with greater confidence the postwar period and its attendant uncertainties.

The company's expansion in foreign markets has been interrupted during the war. Plans have been made for expansion in South American and foreign fields as soon as conditions permit. We hope that after this war American business and American enterprise will be given equal opportunity with other nations to develop and promote products in foreign lands.

CANADA

During the year Borden's Canadian operations were segregated and detailed supervision of operations was lodged with the officials of the subsidiary corporation, The Borden Company, Limited, in Toronto.

The business of the company in Canada is similar to that in the United States. Fluid milk,



Sub-Zero Delivery for Canadian Customers

ice cream, cheese and manufactured products, such as evaporated milk, condensed milk, malted milk, powdered milk and powdered eggs, constitute the bulk of the business in the Dominion.

Nevertheless problems of conducting the business in Canada, while similar to those in the United States, differ in many details. The company feels that the opportunities for development in Canada are very great and that these opportunities can be best developed by a decentralized organization manned entirely by Canadian personnel devoting their energies exclusively to local problems. This has been accomplished and the company looks forward with much confidence to a bright future for its Canadian operations under alert and aggressive Canadian management.

RESEARCH

The policy of maintaining decentralized research laboratories in the major operating divisions and a general New Products Laboratory in the home office building continues to function satisfactorily. Research projects are now more definite in their objectives, and the closer tie between laboratories, plants and sales force is a great stimulus to scientific workers.

A program of periodic meetings of key men from the different divisional laboratories not only avoids duplication of effort but also permits pooling of knowledge and experience, even though the research activities are centered in different localities. The interchange of ideas among the technical staff is supplemented by contributions from the sales and production departments in order to aid in establishing practical and profitable research goals.

A further step in the company policy of diversification of products has been the establishment

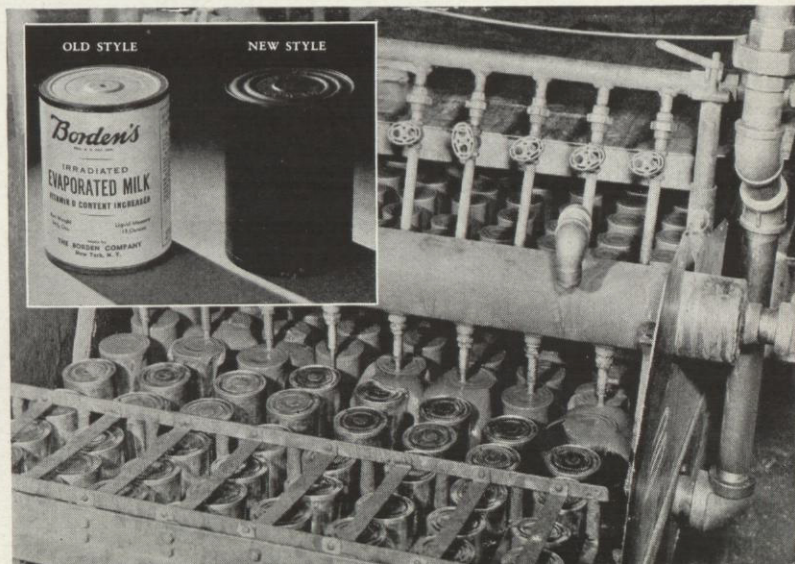
during the year of a Department of Market and Economic Research. This has been done to assure both the acceptability of new products and the economic soundness of pricing and distribution policies.

INCENTIVES

The policy of providing incentive compensation to the many key men engaged in important activities, referred to in more detail in the company's past annual reports, has been continued. Management has found it to be effective in the attainment of greater achievement. Adequate and detailed supervision, plus alert, individual leadership, is fostered through the policy of decentralized operating responsibility, and for this reason the company has in recent years divided its major operations into separate divisions to facilitate more effective management.

The company's program, as approved by the Board of Directors, consists of two parts; the employees incentive compensation plan and the officers incentive compensation plan, with certain limitations established by the Board of Directors for each plan. Under the employees incentive compensation plan 610 employees were designated as eligible and about 520 earned approximately \$615,000 for 1944. Each eligible employee participated in this plan according to his particular accomplishments in his respective field of operation. Under the officers compensation plan approximately \$66,000 was earned by 8 officers during 1944. This incentive compensation plan takes into consideration the profit performance of the divisions for which the officers have executive responsibility. Neither the Chairman of the Board nor the President is

Borden's new battle-dress—painting machine developed by the company to camouflage cans for field use.

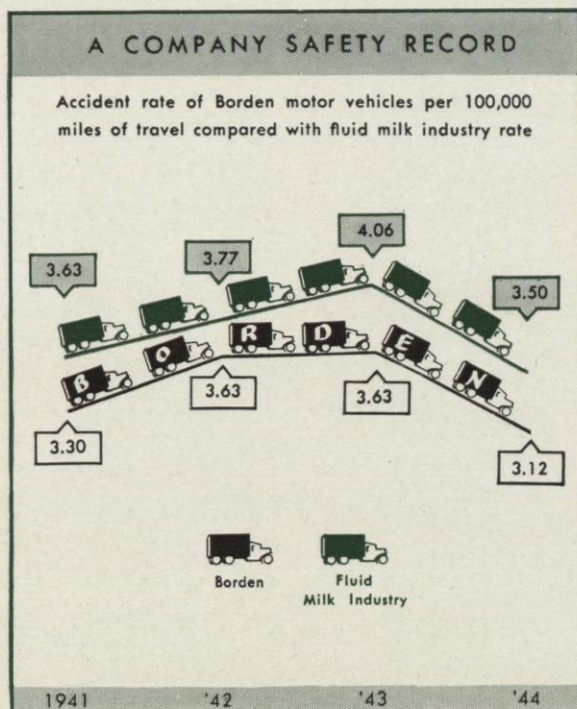


eligible to participate in any incentive compensation. Of the total incentive compensation 90.3% was earned by employees and 9.7% by officers. The management of the company has learned through experience that a broad policy of rewarding executive and managerial talent retains to the company services of men of exceptional ability and resourcefulness, thus tending to assure continued successful operation of the company's business.

GROUP INSURANCE, SAFETY AND EMPLOYEE RELATIONS

In times like these, when war tensions grip the entire country, the relations between employees and management are often subjected to unusual strains. In the case of our own organization, however, the relationship with employees was, in the main, harmonious for the company and beneficial to the best interests of a nation at war. This fortunate situation reflects in part the company's progressive policies and in part the high caliber of our personnel and their sympathetic understanding of the company's problems.

With the security and well-being of employees a prime consideration of company policy, each



A New Use for Old Containers — Flower Vases for the Wards of Veterans' Hospitals

of our divisional operating managements carries on its own program designed to meet these objectives. Essentials in these programs include employment continuity and equitable wages; group insurance protection; opportunities for training and advancement; safe and comfortable working conditions; and information about the company and its activities.

Typical of the employee benefits that result from programs of this kind is the year's showing of our group insurance plan. In this voluntary plan, available to employees of practically all our operations, 16,277 were protected with group life insurance totaling \$48,326,709. Benefits paid totaled \$380,500, or an average of \$2,292 on each of 166 claims. Protection against non-occupational accidents and sickness was extended to 8,280 employees and benefits totaling \$89,100 were paid. In addition the company sponsored Blue Cross plans of hospital insurance protecting employees, and, in most cases, their families.

Another interesting phase of the program, benefiting in this case the company as well as the employee, is our safety work. Through full

employee cooperation, we have established an enviable safety record. While employees have been the chief beneficiaries, certain phases of the work, notably our pre-employment and periodic physical examinations, Red Cross first aid courses, and first aid facilities at every operating location, have also been directly in the public interest.

What we have accomplished in this field has been largely through employee cooperation. Just as the men in management are attaining a better understanding of the needs and desires of our employees, rank-and-file employees themselves are beginning to appreciate some of the inescapable problems that confront the company as a whole. There is, for example, a better understanding of industry economics. Equally important, there is a general realization of the fact that individual security exists only when the employer is able to operate on a sound basis, and that the employer's stability is largely dependent upon the efficient, high productive effort of the individual employee.

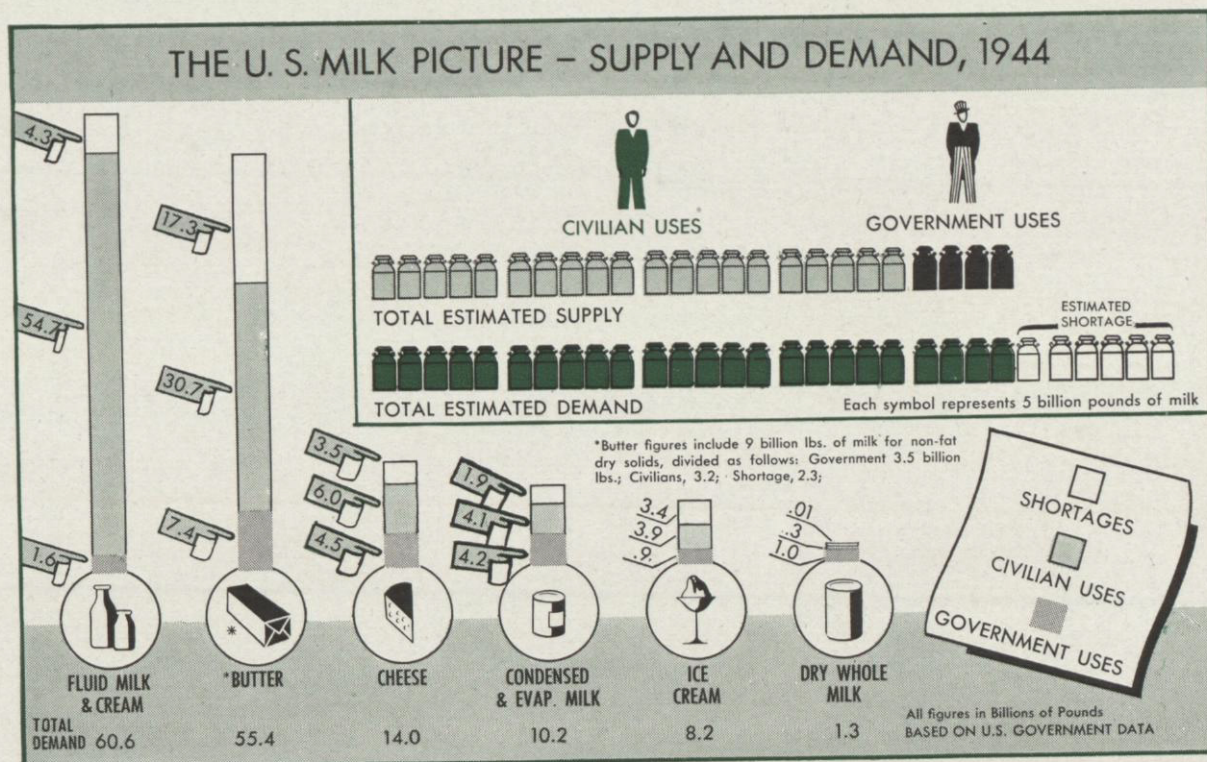
These are the factors which should encourage optimism in appraising the future, because they

indicate a further growth in that mutual regard and confidence between employees and the company that is so essential to the welfare of both.

ADVERTISING

During the past several years, the company has become increasingly active in advertising its various products, believing that only by so doing can its competitive position be maintained and improved. Inasmuch as most of the company's products are sold under the brand name "Borden's", advertising on each individual product contributes to the strength of all the others, and also to public acceptance of the company's principal trade-mark on any new product which may be introduced.

In addition to advertising on individual items, the company has maintained since 1939, a campaign in national magazines featuring Elsie the Cow and her family, and promoting all major Borden products under the slogan, "If it's Borden's, it's *got* to be good." This campaign has met with wide acceptance by the reading public.



In the fall of 1944 all operating divisions combined to undertake a national network radio program, designed still further to strengthen the position of the company and its brands in the extremely competitive reconversion and post-war periods.

BOARD OF DIRECTORS

The Directors contribute greatly to the further progress of the company. They are men of broad experience and sound judgment and deserve much credit for the solution of the complex problems of administration. The Board of Directors consists of 13 members. During the year Mr. Henning W. Prentis, Jr. was elected a Director. Mr. Prentis, President of Armstrong Cork Company, Lancaster, Pa., an industrial statesman of national reputation, brings to our Board of Directors the services of one who has long been a distinguished leader of American business.

* * *

I cannot close this annual report for 1944 without paying high tribute to the many members of the Borden organization, to the innumerable companies from which we obtain supplies,

and to the thousands of farmers whose products we assist in marketing. The year has been a difficult one for all of them as well as for us. Our main objective, and I am sure theirs, has been to make the utmost contribution, in the way we were best qualified, to the winning of the war and to securing the peace. I am sure they, with us, look hopefully forward to the time when we may unselfishly and unstintingly devote these same energies toward a better nation at home.

FINANCIAL STATEMENTS

Financial statements for the year 1944 appear on subsequent pages, together with the certificate of Haskins & Sells, Certified Public Accountants. A number of interesting subjects to stockholders, employees, customers, farmers and the general public are presented in the customary informal manner.

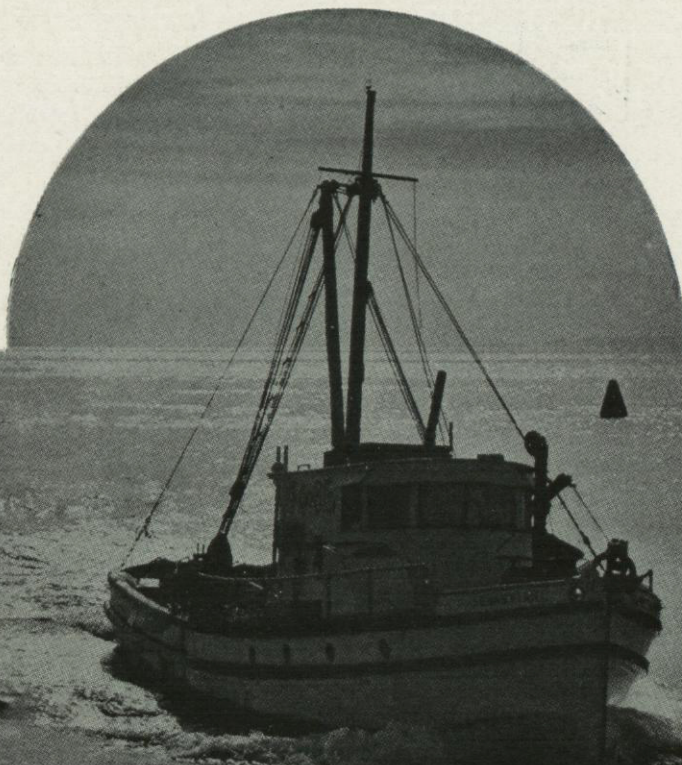
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This report is submitted by the order of the Board of Directors.

THEODORE G. MONTAGUE,
President

Borden Sailors

... Home from the Sea





On our Service Flag there are 3,787 stars for our American employees serving in the armed forces, and 470 maple leaves for the men and women of our Canadian Company. There are 79 gold stars and 17 gold maple leaves honoring these men who have died in the service:

RICHMOND NEVILLE ALLEN
DONALD KENNETH BARKER
KENNETH H. BARNETT
JOHN EDWARD BENSENHAYER
JOHN EDWARD BINDNER
ADAM EUGENE BRYDEN
JOHN CACCAVALE, Jr.
ANTHONY CALDERELLA
DANIEL N. CARTER
PAUL THOMAS CASEY
ROBERT CHARLES CHAFFEE
DOUGLAS CHAPPELL
HARRY CONLEY
JOHN ALEXANDER CORMACK
NORMAN EDWARD COUSINS
ROBERT EUGENE CREW
ROY ADAM CROME
HERBERT ROY CROWE
ARTHUR LEE DAVIS
CLIFFORD RAYMOND DECKER
WILLIAM H. DONOVAN
VERNIE WILLIAM DRYDEN
ALLISTER GEORGE DUMVILLE
ROBERT WILLARD FARMER
J. BURL FINK
RICHARD T. FINNEREN
PHILIP D. FREEMAN
JOHN ALLEN FRESHOUR
SAMUEL ADOLPH FRISCO
GEORGE C. FURNELL
WINSTON THOMAS GANT
ENRIQUE GARCIA GARZA

LEE MILTON GILLILAND
SAMUEL SHELDON GRACE
MARVIN AUGUSTUS GRAY
ZANE GRAY
HOWELL BURT GREEN
JOHN GRIFFIN
HARRY WELDON GROSS
ROBERT D. GUGGER
JOSEPH JAMES HALLIDAY
ROBERT LOUIS HELMOND
WILLIAM M. HENERY
WILLARD HARRISON HIXON
JAMES MANSON HUMPHREYS
BEN HILL JENKINS
LLOYD SIDNEY JOHNSON
PAUL D. JONES
JAMES HENRY MAXWELL KER
PATRICK L. KESSLER
REUBEN FREDERICK KOEHLER
FRANCIS K. KUPRAITIS
BOYCE LAIDLAW
ERLING B. LARSEN
PAUL MANDEVILLE
ROBERT MELVIN MANN
JOSEPH HENRY MAXWELL
ROBERT JOSEPH McCLINTOCK
JAMES CRUNK McDANIEL
CHARLES ERVIN McGOWAN
GEORGE LAING McKAY
ALEXANDER McMILLAN
FULTON HENRY MEYERS
WILLIE ALFRED MUELLER

FRANK F. MYERS
BERNARD F. MYLER
ORVILLE RONALD MYLES
WILLIAM MARION NEWTON
WILLIAM C. NOSKER
JACK BARR PAINTER
DONALD CARL PALMER
EDWARD LEROY PENCINA
CHARLES PERGLER
GEORGE EDWARD PURCELL
DEAMUS IRVON RAY
WILLIAM WALTER ROSEBRO, Jr.
EDWARD CLARKE SANDERS
FRANK SAWYER
JOSEPH GASTON SAYE
HUMPHREY AKIN SEE
LOUIS JOHN SERVIDIO
LAWRENCE SHERIDAN
RAYMOND CANNON SPENCER
WILLIAM HENRY STAGG
MARVIN E. STAHL
THORTON WARNER STARK
HOWARD LEROY STERN
KENNETH GILES STODDARD
WILLIE CLARK STONE
EDWARD T. THEILBAR, Jr.
JAMES THOMPSON
GEORGE ROLAND TILLBERG
RUSSELL L. WENTZ, Jr.
TRACEY FLUMMER WILSON, Jr.
WALTER ELBERT WILSON
CLINTON ZULAUF

THE BORDE

and Domestic and Canadian

CONSOLIDATED BALANCE SHEET,

A S S E T S		December 31	
		1944	1943
CURRENT ASSETS:			
Cash		\$ 33,972,396	\$ 26,470,542
Marketable Securities—At Cost (Market Value—1944, \$9,660,648; 1943, \$10,080,561)		9,656,545	9,844,919
Receivables (Including loans to employees—1944, \$57,259; 1943, \$62,213) less Reserves for Doubtful Accounts—1944, \$2,180,217; 1943, \$2,345,029		20,877,457	17,199,554
Inventories—At the Lower of Cost or Market:			
Finished Goods	Materials & Supplies		
1944—\$15,178,995	\$19,013,118	34,192,113	
1943— 13,102,379	21,147,548		34,249,927
Total Current Assets		\$ 98,698,511	\$ 87,764,942
INVESTMENTS AND NON-CURRENT RECEIVABLES:			
Foreign Affiliated Companies		\$ 1,001,572	\$ 1,303,972
United States and Canadian Government Bonds on Deposit . . (Pursuant to Workmen's Compensation and Milk Control Laws, etc.)		1,796,027	1,654,475
Mortgages		2,113,861	1,974,240
Postwar Tax Refunds (Estimated)		2,495,305	625,887
Other		2,273,458	2,389,687
Total		\$ 9,680,223	\$ 7,948,261
Less Reserves		1,333,475	1,477,730
Net Investments and Non-Current Receivables		\$ 8,346,748	\$ 6,470,531
PROPERTY AND EQUIPMENT		\$128,078,197	\$127,094,601
(Principally at cost, but in part at lower valuations established by the company)			
Less Reserves for Depreciation		63,238,706	60,559,002
(Based upon above property valuations)			
Net Property and Equipment		\$ 64,839,491	\$ 66,535,599
DEFERRED CHARGES		\$ 958,560	\$ 1,132,595
TRADE-MARKS, PATENTS AND GOOD-WILL		\$ 1	\$ 1
TOTAL		\$172,843,311	\$161,903,668

See Page 21 for notes to financial statements.

N COMPANY

an Subsidiary Companies

DECEMBER 31, 1944 AND 1943

LIABILITIES

	December 31	
	1944	1943
CURRENT LIABILITIES:		
Accounts Payable	\$ 16,706,158	\$ 15,496,096
(Including current maturities of serial notes— 1944, \$801,000; 1943, \$501,000)		
Accrued Accounts:		
Taxes	3,553,045	2,852,096
(After deducting Treasury Savings Notes equal to accrued United States Income and Excess Profits Taxes— 1944, \$22,500,000; 1943, \$15,900,000)		
Other	4,438,789	4,578,263
Total Current Liabilities	\$ 24,697,992	\$ 22,926,455
NON-CURRENT LIABILITIES:		
Notes Payable—2% Serial Notes maturing \$801,000 annually until 1950; remainder in 1951	\$ 13,696,000	\$ 10,497,000
Other	139,025	140,506
Total Non-Current Liabilities	\$ 13,835,025	\$ 10,637,506
RESERVES:		
Contingency Reserve	\$ 2,317,493	\$ 2,545,185
(1944—After charge of \$227,692 for loss on disposal of property)		
Special Contingency Reserve (Note 2)	11,189,195	8,760,000
For Replacement of Depleted Normal Inventories	3,079,099	2,984,866
For Purchase of Employees' Deferred Retirement Annuities— based on service prior to July 1, 1939	723,903	761,357
Insurance Reserves	6,937,676	6,576,481
Other Operating Reserves	6,161,731	3,074,167
Total Reserves	\$ 30,409,097	\$ 24,702,056
CAPITAL STOCK AND SURPLUS:		
Capital Stock—THE BORDEN COMPANY		
Common \$15 par—Authorized 8,000,000 shares; Issued 4,417,958 shares	\$ 66,269,370	\$ 66,269,370
Capital Surplus	13,618,188	13,373,669
Earned Surplus	28,816,270	26,421,711
Total	\$108,703,828	\$106,064,750
Less Treasury Stock—At Cost:		
1944, 167,958 shares; 1943, 92,958 shares (Includes stock reserved under Officers and Employees Stock Option Plan—1944, 31,000 shares)	4,802,631	2,427,099
Capital Stock Outstanding (1944, 4,250,000 shares; 1943, 4,325,000 shares) and Surplus	\$103,901,197	\$103,637,651
TOTAL	\$172,843,311	\$161,903,668

THE BORDE

and Domestic and Canadi

STATEMENT OF CONSOLIDATED NET INCOME

For the Years Ended December 31, 1944 and 1943

	Year Ended December 31	
	1944	1943
NET SALES	\$410,478,189	\$371,866,527
OTHER INCOME:		
Interest, Dividends and Royalties	622,727	562,754
Rentals, less Expenses of Properties Rented or Unessential to Operations	138,140	163,805
Other	612,904	440,537
TOTAL	\$411,851,960	\$373,033,623
LESS:		
Cost of Goods Sold	\$346,247,021	\$317,006,322
Selling, General and Administrative Expenses and Other Charges	28,613,365	23,745,101
Interest Expense	305,753	258,612
Provision for Wartime Contingencies and Transition to Peacetime Economy	2,500,000	5,000,000
Provision for Deferred Repairs and Maintenance	700,000	900,000
Provision for Federal and Other Taxes on Income (less postwar credits)	23,497,827	16,717,883
TOTAL	\$401,863,966	\$363,627,918
NET INCOME FOR THE YEAR	\$ 9,987,994	\$ 9,405,705
Net Income per Share of Stock Outstanding at End of Year	\$2.35	\$2.17

Provision for depreciation charged to operations was \$6,448,415 for 1944 and \$6,442,955 for 1943.

STATEMENT OF CONSOLIDATED EARNED SURPLUS

For the Years Ended December 31, 1944 and 1943

	Year Ended December 31	
	1944	1943
BALANCE AT BEGINNING OF YEAR	\$ 26,421,711	\$ 23,537,579
NET INCOME FOR THE YEAR	9,987,994	9,405,705
TOTAL	\$ 36,409,705	\$ 32,943,284
DEDUCT:		
Dividends Paid during the Year	\$ 7,267,990	\$ 6,521,573
(\$1.70 per share in 1944 and \$1.50 per share in 1943)		
Write-off of Good-Will purchased during 1944	325,445	
(Good-Will purchased during 1943 was written off in that year to Capital Surplus)		
TOTAL	\$ 7,593,435	\$ 6,521,573
BALANCE AT END OF YEAR	\$ 28,816,270	\$ 26,421,711

See Page 21 for notes to financial statements.

N COMPANY

an Subsidiary Companies

STATEMENT OF CONSOLIDATED CAPITAL SURPLUS

For the Years Ended December 31, 1944 and 1943

	Year Ended December 31	
	1944	1943
BALANCE AT BEGINNING OF YEAR	\$ 13,373,669	\$ 13,665,246
Proceeds from disposal of unessential properties previously written off against Capital Surplus, and fair operating values ascribed to other such properties adapted to some operating use	244,519	396,894
TOTAL	\$ 13,618,188	\$ 14,062,140
DEDUCT—Write-off of Good-Will purchased during 1943		688,471
(Good-Will purchased during 1944 was written off in that year to Earned Surplus)		
BALANCE AT END OF YEAR	\$ 13,618,188	\$ 13,373,669

NOTES TO FINANCIAL STATEMENTS

(1) Net Current Assets, and Canadian Government Bonds on Deposit and Postwar Tax Refunds included in Investments and Non-Current Receivables, of Canadian subsidiaries have been converted at the official exchange rate and are included in the Consolidated Balance Sheet at their U. S. dollar equivalent of \$4,175,198 and \$1,179,013, respectively, at December 31, 1944 and \$5,361,710 and \$790,178, respectively, at December 31, 1943. Other assets of such subsidiaries aggregating \$5,326,829 at December 31, 1944 and \$4,987,313 at December 31, 1943 are included at parity of exchange. Net income of Canadian subsidiaries has been converted at the official exchange rate and is included in the Statement of Consolidated Net Income at its U. S. dollar equivalent.

(2) The Special Contingency Reserve was charged with \$70,805 in 1944, representing a reduction of \$398,992 in the contract price of sales in the year 1943 which were subject to renegotiation less United States Income Tax of \$328,187 applicable thereto, and with \$240,000 in 1943 representing a reduction of \$400,000 (less income tax of \$160,000) applicable to similar sales in the year 1942. The effect of possible renegotiation for 1944 is not presently determinable, but ample provision therefor is considered to be included in existing reserves.

(3) In recent years the last-in, first-out method has been employed in costing out inventories of certain products in order to reflect current cost of production in cost of goods sold. In 1942 and 1943, as an extension of this method, a reserve of \$2,984,866 was provided so that the quantities by which normal inventories of these products had been depleted, when restored through subsequent production, may be carried at the previously established last-in, first-out valuation. In 1944 the Company added a further estimated provision of \$94,233 to this reserve.

(4) The Statement of Consolidated Net Income does not include the Company's share (approximately \$310,000 for 1944 and \$260,000 for 1943) in the net income of unconsolidated foreign affiliated companies, from which companies no dividends were received during these years.

ACCOUNTANTS' CERTIFICATE

THE BORDEN COMPANY:

We have made an examination of the consolidated balance sheet of THE BORDEN COMPANY and Domestic and Canadian subsidiary companies as of December 31, 1944, and of the related statements of consolidated net income, earned surplus, and capital surplus for the year ended that date, have reviewed the accounting procedures of the companies, and have examined their accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the systems of internal control.

During the year, upon authorization of the Board of Directors, the Company added \$2,500,000 to its Special Contingency Reserve as provision for wartime contingencies and transition to peacetime economy, by charge to income. We are not in a position to express an opinion regarding this additional provision.

In our opinion, subject to the comment in the preceding paragraph, the accompanying consolidated balance sheet and related statements of consolidated net income, earned surplus, and capital surplus, with the notes pertaining thereto, fairly present the financial condition of the companies at December 31, 1944 and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year.

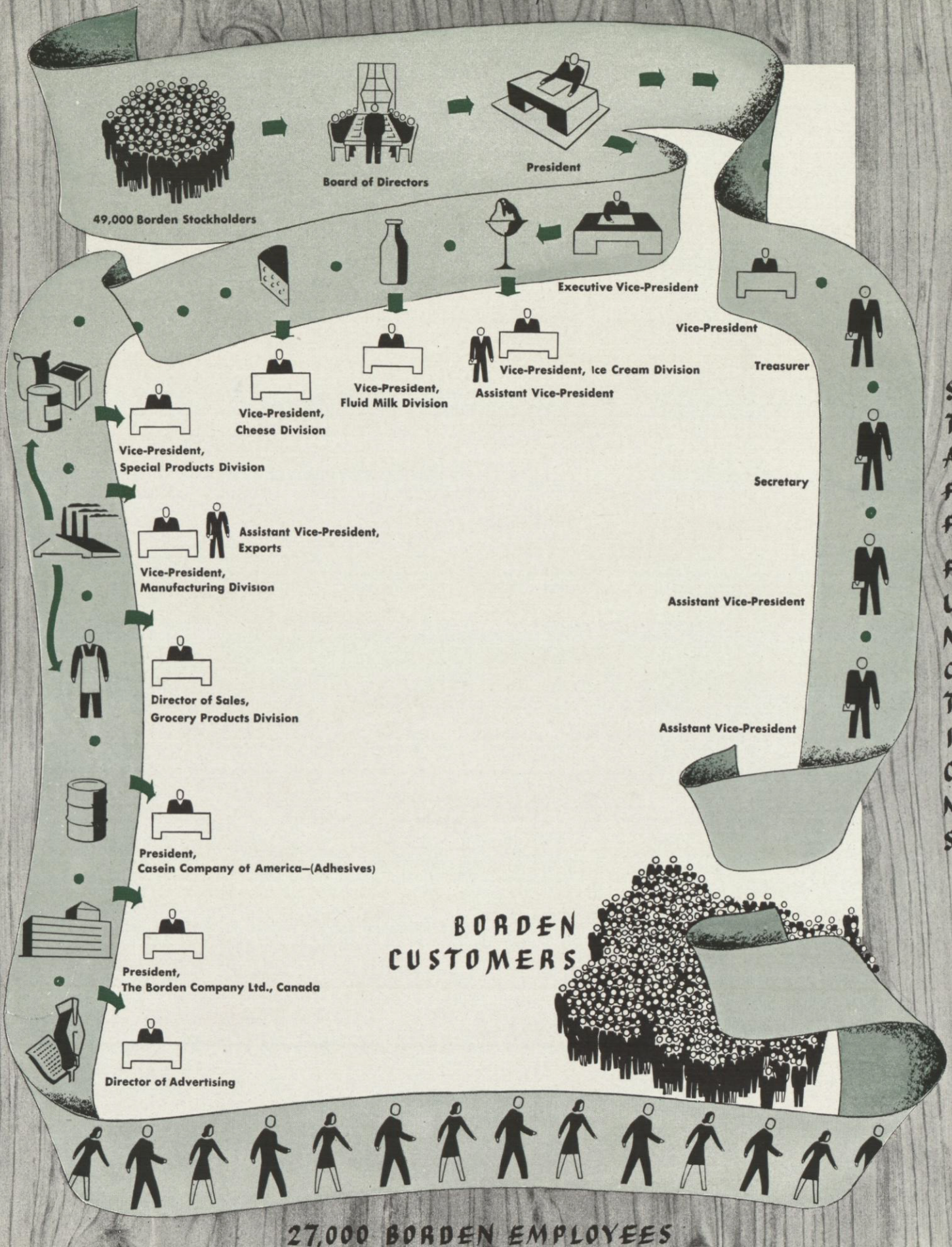
Haskins & Sells

New York,
February 26, 1945

HOW THE BORDEN COMPANY WORKS

OPERATIONS

STAFF FUNCTIONS





GETTING OUT

A record tonnage of Borden products moved from our plants last year. A considerable amount of it was consigned to customers in uniform. From all of the distant fronts on which the United Nations waged war came reports that Borden foods were also in the fight.

On the Normandy beachhead weary G. I.'s welcomed a brew of our soluble coffee . . . in Russia, hardened partisans learned the English language from Borden labels . . . our familiar trade-mark was observed on the contents of trucks jolting over the Burma Road . . . from the Philippines, Ceylon, India, Italy and Germany itself, where prisoners of war hailed food from home in Red Cross packages, came news that heartened employees who are turning out the products and impressed them with the urgency of their task.

Getting out the goods in sufficient volume to cover government demands, in addition to supplying the people at home, was not a simple undertaking. It required the cooperation of patriotic farmers, and their cows, too. It strained the capacity of plants and equipment designed

for lower peacetime output. And it called for ingenuity, patriotism, and hard work from employees.

Manpower was a major problem. Few plants had sufficient employees for the task. Part-time workers were welcome. Women took on duties they had not performed before. In one plant, a group of deaf-mutes proved their ability. Officer candidates helped out in one emergency. British seamen, while their ships were in drydock, volunteered their aid at another plant.

A great wave of milk moved forward from farms in the spring, taxing our handling capacity. Many plants worked around the clock, stopping only to clean and adjust equipment. To avoid loss of milk, supplies were shifted over long distances from one plant to another.

Some emergencies were met with uneconomic practices that would not be tolerated in peacetime. Our Chicago division rushed carloads of fluid milk, packaged in paper containers, to avoid shortages threatening army camps in Louisiana and Texas. A similar threat to Georgia camps was relieved by milk shipped in the

Madame Secretary . . . For Safety

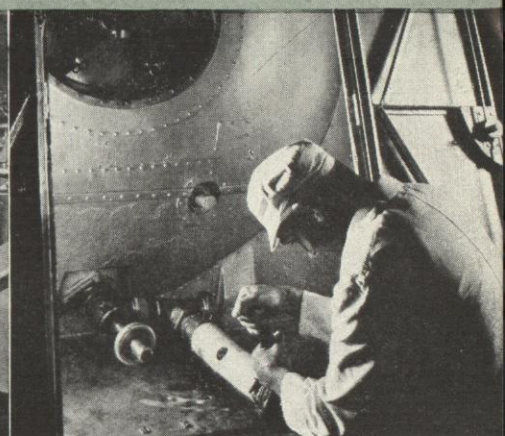


The "E" Award . . . For Production



The "A" Award





THE GOODS

same manner from distant New York. One of the most unusual services was the regular shipment of a small quantity of homogenized milk by plane from New York's LaGuardia field to chilly Iceland.

When equipment was inadequate, ingenuity frequently saved the day, as exemplified by the Case of the Camouflaged Cans. The army specified olive drab cans for evaporated milk to prevent rusting and because shiny surfaces furnished a target to enemy planes. No painting equipment suitable for our containers was available. A group of Borden production men tackled the problem, quickly developing a machine that paints up to 320 cans per minute. Army quartermasters were so impressed by the equipment that its general use was ordered, and it is now being manufactured for other processors as well as Borden's.

These efforts all helped to bring about impressive increases in production over 1943, the previous record year. Among them were the 55% advance each in the output of dry ice cream mix, prepared exclusively for the Army and Navy, and lemon powder; and the 175%

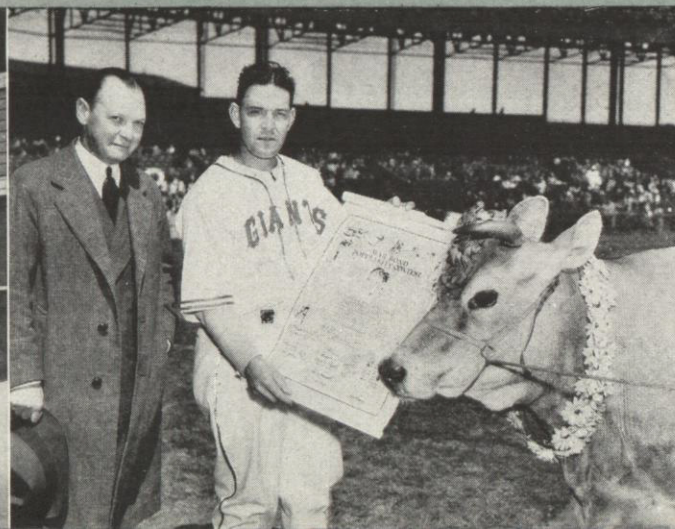
increase in our soluble coffee, which is manufactured exclusively for the Government. One plant, between 1942 and 1944, boosted its output of whole milk powder 1200%.

To this plant, at Bainbridge, New York, went the War Food Administration's green "A" flag for outstanding achievement. Another plant, manufacturing cheese at Plymouth, Wisconsin, was granted two additional stars for the Army-Navy "E" flag it received in 1943. Other honors for war achievements went to Borden personnel. One of the Army's few Exceptional Civilian Service Awards was presented to one executive, and another received from the Secretary of Labor personally the first citation of its kind for his direction of accident-prevention work in war plants. Even Elsie received a citation, this one from the U. S. Treasury, for her part in selling \$6,000,000 worth of war bonds. One unusual tribute came from a high army officer. Congratulating Borden's for contributions "above and beyond the ordinary obligations of industry," he concluded that "equipment and buildings . . . are simply hollow shells if conscientious and loyal workers are not doing their job."

... A 1200% Increase

Elsie ... For War Bonds

Q. M. General ... Army's Thanks



The Past Five Years

FINANCIAL POSITION

	1944	1943	1942	1941	1940
ASSETS:					
Cash	\$ 33,972,396	\$ 26,470,542	\$ 22,763,267	\$ 20,321,433	\$ 20,147,814
Marketable Securities	9,656,545	9,844,919	9,586,708	4,489,075	4,412,912
Receivables	20,877,457	17,199,554	16,459,548	18,089,718	12,794,346
Inventories	34,192,113	34,249,927	28,847,337	28,695,550	17,895,422
Investments and Non-Current Receivables	8,346,748	6,470,531	3,165,185	3,209,262	2,908,644
Property and Equipment	64,839,491	66,535,599	68,964,011	69,378,011	67,220,328
Deferred Charges	958,560	1,132,595	1,018,063	902,581	939,747
Trade-Marks, Patents and Good-Will	1	1	1	1	1
Total Assets	<u>\$172,843,311</u>	<u>\$161,903,668</u>	<u>\$150,804,120</u>	<u>\$145,085,631</u>	<u>\$126,319,214</u>
LIABILITIES:					
Current Liabilities	\$ 24,697,992	\$ 22,926,455	\$ 19,282,081	\$ 20,902,424	\$ 15,208,347
Non-Current Liabilities	13,835,025	10,637,506	11,376,014	11,833,716	329,744
Total Liabilities	<u>\$ 38,533,017</u>	<u>\$ 33,563,961</u>	<u>\$ 30,658,095</u>	<u>\$ 32,736,140</u>	<u>\$ 15,538,091</u>
STOCKHOLDERS' FUNDS AND RESERVES:					
Reserves	\$ 30,409,097	\$ 24,702,056	\$ 17,292,640	\$ 11,464,736	\$ 11,907,202
Capital Stock and Surplus	103,901,197	103,637,651	102,853,385	100,884,755	98,873,921
Total Stockholders' Funds and Reserves.....	<u>\$134,310,294</u>	<u>\$128,339,707</u>	<u>\$120,146,025</u>	<u>\$112,349,491</u>	<u>\$110,781,123</u>

OPERATING RESULTS

	1944	1943	1942	1941	1940
RECEIPTS:					
Sales	\$410,478,189	\$371,866,527	\$325,350,306	\$259,128,514	\$216,795,850
Other Income—Net	1,068,018	908,484	187,914	464,603	486,420
Total	<u>\$411,546,207</u>	<u>\$372,775,011</u>	<u>\$325,538,220</u>	<u>\$259,593,117</u>	<u>\$217,282,270</u>
DISPOSITION:					
To Farmers	\$196,866,197	\$183,775,086	\$153,263,042	\$122,949,621	\$ 98,849,943
Payroll	67,963,166	62,364,299	57,968,360	52,319,148	50,333,858
Taxes	30,281,637	21,954,543	15,096,404	8,593,518	6,477,171
Total to Farmers and for Payroll and Taxes..	<u>\$295,111,000</u>	<u>\$268,093,928</u>	<u>\$226,327,806</u>	<u>\$183,862,287</u>	<u>\$155,660,972</u>
Costs and Expenses of Operations	99,998,798	88,832,423	84,347,446	61,266,150	48,022,494
(Including reserve provisions made because of wartime conditions)	6,448,415	6,442,955	6,483,314	6,194,108	6,016,187
Depreciation	<u>\$401,558,213</u>	<u>\$363,369,306</u>	<u>\$317,158,566</u>	<u>\$251,322,545</u>	<u>\$209,699,653</u>
Total	<u>\$ 9,987,994</u>	<u>\$ 9,405,705</u>	<u>\$ 8,379,654</u>	<u>\$ 8,270,572</u>	<u>\$ 7,582,617</u>
NET INCOME					

THE OWNERS OF THE COMPANY

While The Borden Company is a corporation, it is also, in a larger sense, a partnership in which funds provided by some 49,000 individuals and institutions have been pooled. Some of those who have invested are people of considerable means, but most are men and women in moderate circumstances. The average holding of stock is about 86 shares.

The ownership of the company is probably unique in that the largest stockholder is a philanthropic foundation, whose work in behalf of public health is carried on with dividends from Borden stock, and the second largest is an insurance company with some hundreds of thousands of policyholders. No individual owns as much as 1% of the company's stock.

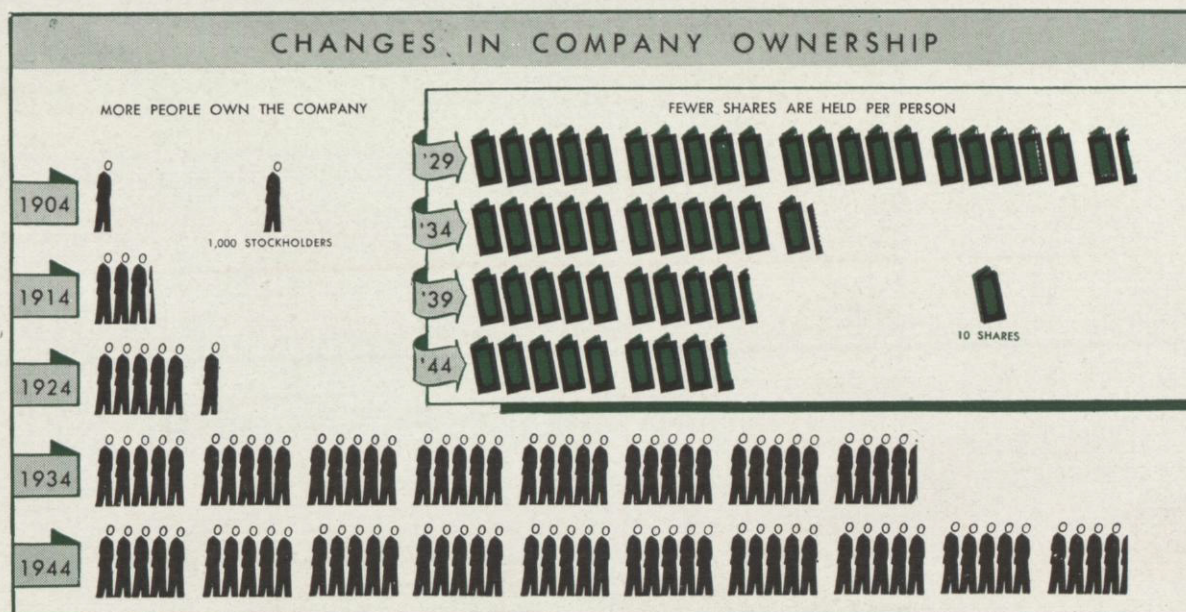
This family of stockholders has grown so that the management can no longer enjoy personal contact with all of them. To keep in closer touch with their interests, a Continuing Study of Company Ownership was launched last summer. Following a purchase of stock, the new shareholder is asked to return unsigned a questionnaire. Tabulation of questionnaires gives an overall picture of the people who own the company and the information that they want from management.

The knowledge gained from the first 500 questionnaires studied is considerable. People who are currently buying an interest in the com-

pany are not large stockholders—64% buy less than 50 shares, and 44% buy less than 25 shares; about 8% own 10 shares or less. Only 5% of those answering the questionnaire bought for speculative purposes; 95% wanted an investment.

About 61% receive less than half of their income from dividends, while 29% depend very little on them. About 26%, however, rely entirely on investments for their livelihood, possibly because almost 10% are retired, and nearly half — 46% — are women, among whom are many widows. "Housewife" is the principal occupation listed, with 31% in this classification. Other leading occupations are: executives, 7%; office workers and teachers, 5% each; merchants, storekeepers and professional workers, 4%; accountants and bookkeepers, bankers and insurance men, engineers, lawyers, physicians, soldiers, salesmen, and skilled workers, 3%.

When fitted together, these elements furnish a composite picture of newcomers to the Borden stockholder family. Their interest in the company is reflected in requests from nearly half of them for information on specific topics. The answers to most of these questions will be found in this report, while others will be covered from time to time in the *Borden Stockholders' Bulletin*, which is mailed with each dividend check.



1944



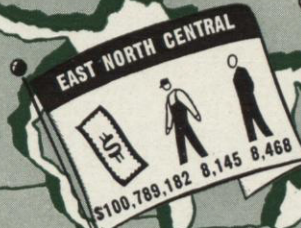
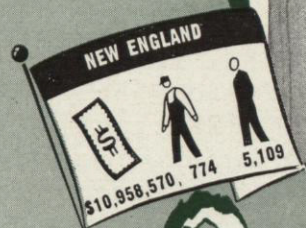
FARMERS,
EMPLOYEES,
and TAXES
\$295,111,000



NUMBER
OF
EMPLOYEES
27,258



NUMBER
OF
STOCKHOLDERS
49,174



FEDERAL TAXES
\$23,386,892



Wherever Borden's operates, it is a good customer. It spends money in local communities for supplies, and adds to local purchasing power through payments to employees and stockholders.

MANPOWER



"Mother warned me" sighed Elsie
"you were no man for a crisis!"

ELSIE'S PAGE



INFLATION



"Thank heavens for an old
New England proverb," gasped Elsie

DURING 1944 the importance of civilian cooperation with the war effort became increasingly clear. Advertising had early been recognized by government officials as invaluable in bringing about understanding and action by the public, and appeals to national advertisers went out with greater frequency from the War Advertising Council.

The Borden Company, recognizing its obligation to make its own advertising contribute to the welfare, security and activity of America and Canada at war, assigned its most persuasive salesman, Elsie the Cow, to the task. In the national magazines Elsie devoted her great abilities to such varied problems as War Bonds, Black Markets, Economic Stabilization, Conservation and Preserving of Food, and Home Front Complacency. The main illustrations of some of the advertisements are shown on this page. Borden units and divisions, advertising locally, also used Elsie to keep war projects, as well as their own brands, before the public.

Elsie herself, normally an inveterate traveler, continued to ask herself, "Is this trip necessary?" and made only one major journey. Accompanied by her calf Beulah, she went to Chicago at the request of the United States Treasury, and was instrumental in selling \$1,600,000 worth of War Bonds.

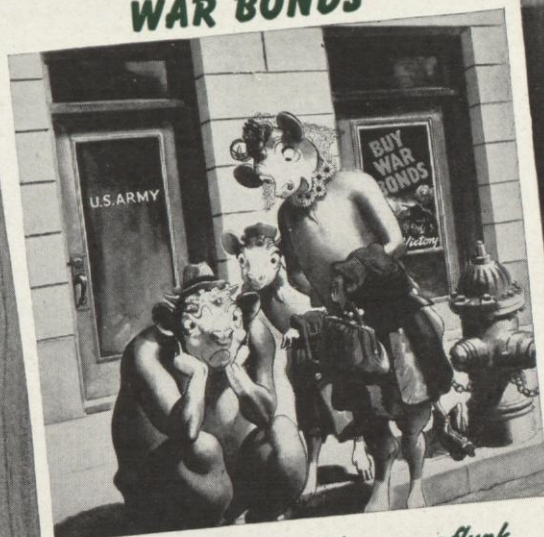
Finally, during the year, our glamour cow, hitherto confined largely to the printed page, found a voice. On Borden's new network radio program, Elsie, Elmer and Beulah made their bow as performers. According to listener surveys they furnish one of the bright spots of the show, which is heard on the Blue Network Sunday evenings at 8:30 P.M. E.W.T.

BLACK MARKETS



"But who are you going
to shoot first?" asked Elsie

WAR BONDS



"How in the world did you ever flunk
your physical?" marveled Elsie

Principal Borden Products..

MANUFACTURED PRODUCTS UNITED STATES

Except where otherwise indicated, products listed are sold generally throughout the country.

CONDENSED MILK

Borden's Eagle Brand.
Sold sectionally in various parts of the country: Challenge, Darling, Dime, Leader, Magnolia, Rose, Standard and Star Brands.

EVAPORATED MILK

Borden's.
Sold in the Eastern, Central and Southern States.
Borden's, Maricopa, St. Charles and Oregon Brands.
Sold in the Western States.

MALTED MILK

Borden's (Plain and Chocolate Flavored).
Thompson's (Plain and Chocolate Flavored).

VITAMIN FORTIFIED FOOD DRINKS

Borden's Hemo.
D-Q—Vitamin Fortified Fluid Milk—*limited distribution.*
Instant Mix—for making Hot Chocolate—*limited distribution.*
Chocolate Flavored Syrup—*limited distribution.*

CHEESE

Liederkrantz Cheese; Military Brand Camembert.
Bulk Natural Cheese (all varieties); Marty and Victory Brands Swiss; Dutch Maid, Castle and Eagle Brands Limburger.
Package Cheese: Chateau; Borden's Process Cheese; Borden's Eagle and Baumert Brands Cream Cheese; Borden's Wej-Cut Cream Cheese; Borden's Cocktail Cheese Spreads; Borden's Grated Cheese (American and Italian Styles).

CONFECTIONERY

Borden's Caramels.

MINCE MEAT AND FRUIT BASE

Borden's None Such—Condensed and ready to use.
Pyco Sweetened Fruit Base—*East and Central States.*

MILK SUGAR

Bulk Milk Sugar and Beta Lactose.

PRESCRIPTION PRODUCTS

Biolac, Dryco, Mull-Soy, Beta Lactose, Klim, Powdered Whole Lactic Acid Milk, Powdered Protein Milk, Powdered Skimmed Lactic Acid Milk and Powdered Skimmed Milk.

POWDERED MILK

Borden's Klim.
Starlac 1 lb. package—*limited distribution.*
In bulk only: Parlac Brand Whole Milk, Breadlac, Starlac and Certora Brands Skimmed Milk (non-fat dry milk solids).

OTHER DEHYDRATED PRODUCTS

Dry Whole Egg.
Powdered Orange and Lemon Juices.
To Armed Forces only: Drimix, Coffee Extract, Powdered Soups.

POULTRY AND ANIMAL FEED SUPPLEMENTS

Flaydry, Flaydry "D", Ladpro, Ration-ayd, Hopro, Cavpro, Bospro, Dog Food Supplement, Furpro and Fish Meal. Vitamin A & D Oils and Dry Vitamin A & D Products for Poultry and Livestock. Vitamin Emulsion for Calf Feeding.

ICE CREAM, DAIRY AND BAKERY PRODUCTS

Chocolate, Orange, Grape and other Syrups, Fudges, Flavoring Extracts (Liquid and Powder).
Dry Ice Cream Mix, Golden Whip, Egg Powders, Chocolate Flavored Powder for Dairy Drinks, Baiz Ice Cream Stabilizer. Cheese Flavoring Powder, Cheese Coating for Popcorn.

SOY PRODUCTS

Soy Bean Oil, Soy Bean Oil Meal, Soy Bean Flour.

VITAMIN PRODUCTS

Vitamin Oils in bulk, Synthetic Vitamins, B Complex Syrups. Natural A and D Concentrates, Rice Polish Concentrates. Vitamin Fortification for Fluid Milk, Vitamin Specialties for Food Fortification. High Potency Vitamin A in capsule and liquid form.

FISH

Farallone Fisheries, fresh market fish.

CASEIN AND ADHESIVES

Casco Casein Glue, Label Glue, Flexible Cement, Wall Size. Cascola Shipping-Room Glues, Cascamite and Cascophen Resin Glue, Protovac, Cascolac and Cascorez Sizing and Finishing Products, Bulk Casein.

MANUFACTURED PRODUCTS CANADA

CONDENSED MILK

Borden's Eagle Brand, Reindeer Brand.

EVAPORATED MILK

Borden's.

POWDERED MILK AND CREAM

Borden's Klim, Trucream, Trumilk, Drimilk, Milkstock, Breadlac and Starlac.

PRESCRIPTION PRODUCTS

Dryco, Klim, C.M.P. Powdered Lactic Acid Milk and C.M.P. Powdered Protein Milk.

EGGS

Powdered and Frozen.

CARAMELS

Borden's.

VITAMIN PRODUCTS

Fish Liver Vitamin Oils.

POWDERED FRUIT JUICE

Borden's C.M.P. Brand.

CHEESE

Borden's Processed Loaf and Package Cheese, Chateau, Baumert Cream Cheese, Canabec Cream Cheese, Blue Cheese.

MALTED MILK

Borden's Malted Milk (Plain and Chocolate Flavored).

..And Where They Are Sold

FLUID MILK AND ICE CREAM UNITED STATES

Cities where principal Plants and Branches are located and Brands under which the products are sold.

ARIZONA		Fluid Milk	Ice Cream	LOUISIANA		Fluid Milk	Ice Cream	OHIO—(Cont.)		Fluid Milk	Ice Cream
Phoenix		Borden's		Baton Rouge				Dayton		Borden's- Finch Farms	Borden's Red Wing
		Maricopa		Lake Charles		Borden's	Borden's	Lancaster			Borden's
				New Orleans				Mansfield		Borden's- Levering's	Borden's
ARKANSAS				MARYLAND				Marion			Borden's
Texarkana		Borden's	Borden's	Baltimore			Borden's	Middletown			Borden's
CALIFORNIA				Hagerstown			Hendler	Newark			
Burlingame				Westminster			Borden's	New Philadelphia			
Fresno				MASSACHUSETTS				Piqua			Borden's Red Wing
Modesto				Boston			Borden's	Portsmouth			
Oakland							White House	Springfield			Borden's
Sacramento				North Adams			Borden's	Xenia			
San Francisco								Youngstown			Borden's-Tech
San Rafael								Zanesville			Borden's
CONNECTICUT				MICHIGAN				OKLAHOMA			
Bridgeport			Borden's	Detroit			Borden's	Oklahoma City			Borden's
			Huber's	Grand Rapids			Borden's	PENNSYLVANIA			
			Mitchell's	Jackson				Allentown			Sharpless
			MelOrol	Kalamazoo				Harrisburg			Borden's
Hartford			Borden's	Lansing				Philadelphia			Sharpless
Danbury			Mitchell's	Owosso			Borden's	Pittsburgh			Borden's-Tech
Middletown			Borden's	Pontiac			Borden's	York			Borden's
New Haven			Mitchell's	Saginaw			Borden's	TEXAS			
Norwalk			Borden's	MISSISSIPPI				Amarillo			Borden's
			Mitchell's	Biloxi			Borden's	Beaumont			Borden's
Stamford			Borden's	Gulfport			Borden's	Corpus Christi			Rettig's
			Huber's	MISSOURI				Dallas			Borden's
DELAWARE				Kansas City			Borden's	Denton			Borden's
Laurel			Sharpless	St. Louis			Borden's	El Paso			
Wilmington				NEW JERSEY				Houston			Borden's
FLORIDA				Asbury Park			Borden's	Longview			Rettig's
Clearwater							Reid's	Lubbock			
Daytona Beach							Horton's	Marshall			Borden's
Lakeland							Ricciardi	San Antonio			Borden's
St. Petersburg							Borden's	Tyler			
Tampa							Reid's	Texarkana			
ILLINOIS							Horton's	VERMONT			
Aurora			Borden's				Ricciardi	Burlington			Borden's
Chicago			Borden's				MelOrol	Woodstock			
			MelOrol					WEST VIRGINIA			
Danville			Borden's- Cherry					Charleston			Borden's
East St. Louis			Home					Huntington			Borden's
Elgin			D. & W.								Borden's
Joliet			Borden's					Kenova			Borden's
Rockford			D. & W.					Wheeling			
INDIANA								WISCONSIN			
Fort Wayne			Borden's					Fond du Lac			Borden's
			Furnas					Madison			Borden's
Hammond			Borden's								Borden's
Gary Dist.								Milwaukee			Borden's
Indianapolis			Borden's					Racine			Borden's
			Capitol								
Kokomo			Furnas					CANADA			
Lafayette			Furnas					FLUID MILK AND ICE CREAM			
Muncie			Furnas					ONTARIO		Fluid Milk	Ice Cream
Richmond			Borden's					Belleville			
			Red Wing					Chatham			
Shelbyville			Furnas					Cornwall			
			Velvet					Hamilton			
South Bend			Borden's					Kingston			
			Furnas					Kitchener			
Terre Haute			Borden's					London			Borden's
								Niagara Falls			and MelOrol
IOWA								Orillia			
Cedar Rapids								Ottawa			
Davenport								Peterborough			
Fort Dodge								Sudbury			
Mason City								Toronto			
Waterloo								Windsor			
KANSAS								QUEBEC			
Leavenworth			Borden's					Montreal			Joubert
Topeka											Borden's-MelOrol
KENTUCKY								Quebec			Borden's
Pikeville			Borden's					Three Rivers			Joubert
											Borden's-MelOrol

